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DIRECTORATE OF
INTELLIGENCE

Intelligence Memorandum

The Impact of Communist Military Pressure on Saigon

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CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence
5 July 1968

INTELLIGENCE MEMORANDUM

The Impact
of Communist Military Pressure on Saigon

Summary

The most recent Communist offensive against Saigon was part of a general strategy combining military, political, and subversive tactics in an effort to undermine the South Vietnamese Government and to influence the Paris talks. To attain these objectives, the enemy has committed nearly one-fourth of his Main and Local Forces to the III Corps area in support of the Saigon battle. Perhaps 15,000 of these troops are in the immediate Saigon area. Arrayed against the enemy's forces in the III Corps area are some 150,000 Allied infantry and combat support troops. An increasing share of the B-52 effort has been directed to the Saigon area.

The fighting in Saigon has had a significant impact on the city's economic life. The toll in terms of physical destruction, human casualties, and personal upheaval has been as severe as that of the Tet offensive. With some 5,400 civilian casualties through mid-June, nearly 180,000 refugees, and about 19,000 destroyed residences, the city's limited administrative facilities are being heavily taxed. Production and business activity in the city have declined, and shortages of skilled labor -- the result of mobilization -- have become serious. Ample supplies of basic commodities are available, and the price level has remained remarkably stable.

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Although the enemy's offensive against Saigon has tapered off and still has not yielded any significant dividends, there are indications that these attacks may be resumed. Thus far, most of the city's inhabitants have pursued their normal daily routines and have not displayed any panic. But strains are developing, and a resumption of the seige could lead to a serious deterioration of morale, as well as of the city's economy.

Given the magnitude of its problems, the South Vietnamese Government has made considerable progress in coping with the effects of the attacks. Refugees have been fed and shelter has been provided, but housing reconstruction has been slow. The cumulative effects of the housing and refugee situations could become serious, however, if there is a new round of fighting and construction activity does not pick up.

Despite the heavy personnel losses by the Communists, they can probably continue to get replacements from current levels of infiltration and recruitment for some months to come and maintain the offensive on at least current levels.

Objectives of the Current Attacks

1. The objectives of the current Communist offensive in South Vietnam were to bring about a fundamental change in the balance of military/political forces in the country, to undermine the position of the South Vietnamese Government, to weaken US resolve to continue the fight, and thus to enhance significantly the bargaining position of the North Vietnamese in Paris. The present strategy probably results from a decision in mid-1967 to forgo protracted warfare and to expand the level of combat in 1968 in the hope of bringing the Allies to the conference table under circumstances favorable to the Communists. Such military pressure was to be coordinated with political and subversive activities designed to broaden the base of the National Liberation Front while eroding the position of the government of South Vietnam. The launching of the Tet offensive, the recent proliferation of front organizations (highlighted by the creation of the Vietnam Alliance of National, Democratic, and Peace Forces), and the agreement to talk without a complete cessation of bombing have all been tactical maneuvers directed toward these objectives.

2. The attacks against Saigon, which began on 5 May and continued with decreased intensity through the third week in June, represent a continuation of this grand strategy. While the US military command in Saigon does not consider such attacks to have great military significance, the high casualties suffered by the Communists indicate that they consider the attacks vital to their present fight-talk strategy. Through the employment of a twofold strategy of economy of force and urban guerrilla warfare with concurrent standoff bombardment, they seek to maintain constant military pressure and inflict maximum damage to the city at a minimum cost to themselves. This type of combat generally precipitates an Allied response which causes further considerable damage to residential and commercial property. By demonstrating their capability continually to penetrate the capital in force and indiscriminately to shell its greater metropolitan area almost daily, the Communists seek to undermine the confidence of Saigon's inhabitants in the ability of their government to provide security.

3. The Communists have not overlooked the psychological impact of these attacks. By discrediting the Saigon regime at the very seat of its power, the Communists hope to legitimize their demands for a share of power in the South and smooth the way for the establishment of a coalition government. Indeed, the specter of armed entry at will into the capital of the government that claims sovereignty and authority over South Vietnam is a powerful weapon in Communist international maneuvering for the role of chief spokesman for the South Vietnamese people. By imposing heavy strains on the South Vietnamese Government and disrupting the city's life, the Communists appear to be trying to create conditions for a general uprising in the belief that if they can break the will of the people in the city, the government will have no real base of support left. Enemy strategists also apparently believe that by exerting constant military pressure on Saigon and other urban areas, a large share of the Allied forces will continue to be committed to the defense of populated areas, thereby enabling the Communists to assume greater control of the surrounding countryside by default.

The Communist Commitment

Force Structure Deployed Around Saigon

4. The Communists have committed a sizable number of troops to the battle around Saigon. An estimated 37,000 men (nearly one-fourth of the total Viet Cong and North Vietnamese Main and Local Forces in South Vietnam) were in the III Corps area at the start of the Saigon attacks early in May, most of whom have been directly or indirectly involved in the Saigon offensive.* Perhaps 15,000 of these troops were in the Saigon area participating in or providing direct support for the attacks on the city. (For locations of Communist units around Saigon, see Figure 1.) In addition, nearly 6,500 Communist guerrillas are estimated to be operating in the provinces adjacent to Saigon.

* In addition to these troops, it is estimated that about 30,000 to 40,000 Rear Services troops are located in the III Corps area and adjacent areas of Cambodia.

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5. Although the enemy launched coordinated attacks against military bases and province and district capitals throughout South Vietnam on 5 May, the principal action has taken place in and around Saigon. The heaviest fighting in Saigon was concentrated in the 5th, 6th, and 8th Precincts in the Cholon sector of the city (see Figure 2). In these precincts, battalion-size Viet Cong units staged raids against police stations and public and service facilities. Particularly heavy fighting in the 8th Precinct occurred south of the Saigon River near the "Y-Bridge" area, involving an enemy force identified as the Phu Loi Battalion. This fighting later spread to Saigon's 4th Precinct. Sizable clashes with the enemy also occurred near the Phu Tho race track in the 5th Precinct, where prisoner interrogations identified the enemy force as elements of the 271st and 272nd Viet Cong Regiments. This fighting represents the strongest and deepest penetration into Saigon by a Viet Cong Main Force unit. Other areas of heavy fighting in the Saigon area occurred at the Saigon Golf Course, the Bien Loi and Gia Dinh Bridges, and the French cemetery adjacent to Tan Son Nhut air-base.

6. Viet Cong and North Vietnamese Main Force units appear to be deployed in an outer ring around Saigon that enables them to protect the Communists' major lines of communication and base areas and to provide support to an inner ring of independent Main and Local Force units operating against Saigon proper. The units in the outer ring are primarily concerned with protecting the three major routes used for infiltrating men and supplies to the Saigon area. The northern route, extending from the Phuoc Long Province border with Cambodia southward into War Zone D, is used primarily for the movement of troops and is protected by elements of the 7th North Vietnamese Division. Movement along this route has been expedited this year by the construction of a north-south road in Phuoc Long Province. Elements of the 88th North Vietnamese Regiment and the 275th Viet Cong Regiment sit astride the second major route which extends southward from War Zone C in northern Tay Ninh Province toward Saigon. The third route, which runs from the Parrot's Beak point where Cambodian territory projects into the country directly west of Saigon,

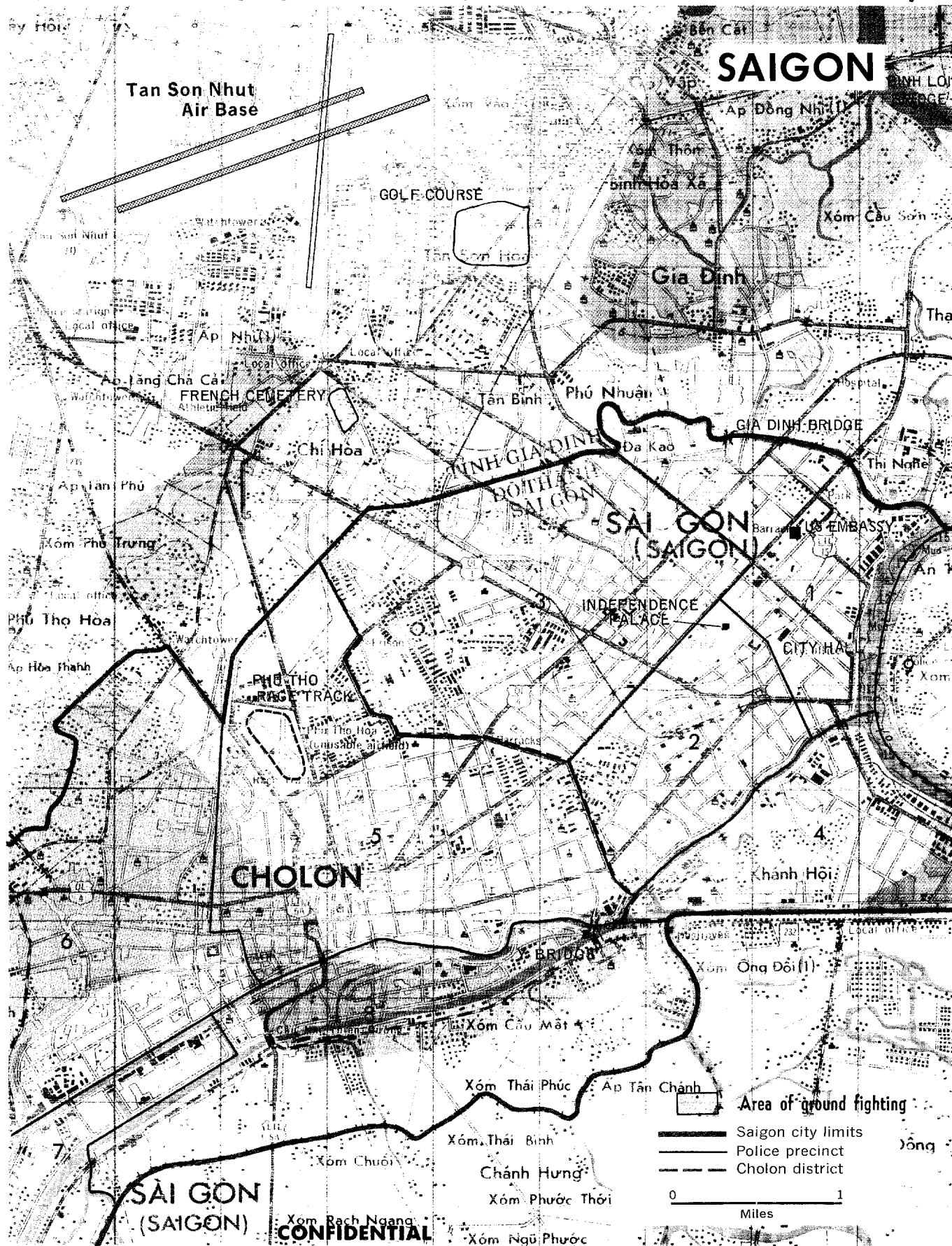
splits in two; the upper portion extends through Hau Nghia and is protected by units of the 9th Viet Cong Division and three Viet Cong battalions. The southern route extends into Long An Province and is defended by six Main and Local Force battalions. The 5th Viet Cong Division is deployed along a lesser line of communication which runs across Long Khanh Province east of Saigon.

7. The outer ring, comprised mostly of units of regiment and division size, thus is enabling the food, supplies, and replacements to reach the smaller battalion-sized units in the inner ring that are engaged in the harassment and probing of Saigon. The enemy's ability to rotate units between the outer and inner rings and in and out of Saigon in this manner has proved to be a successful tactic for maintaining military presence despite heavy casualties and Allied interdiction of their lines of communication.

Casualties Incurred

8. The Communists, however, have been paying a high price in casualties for their attacks on Saigon. During the month of May, the reported number killed in action (KIA) in the Saigon area totaled nearly 11,000 men -- nearly half of the reported killed in action countrywide.* In February, during the Tet offensive, enemy KIA's in all of the III Corps represented less than one-third of total Communist KIA's. During 5-13 May -- the period of the first phase of the May-June Saigon offensive and of the heaviest fighting -- enemy KIA's were reported at about 6,200, or nearly 700 per day. During the remainder of the month, some 4,700 enemy KIA's were reported, or about 260 per day. Enemy dead through the third week of June, when the current campaign appeared to phase out, probably were at about the daily rate for the last half of May.

* These are preliminary MACV figures and are subject to change as additional information becomes available. MACV reduced the reported number of enemy troops killed in action in February -- when a similar type of fighting took place -- to compensate for possible inflation and inclusion of civilians and laborers.



9. It is likely that those responsible for coordinating the current offensive anticipated heavy losses and included in their plans a steady flow of replacements necessary to maintain the combat effectiveness of participating units. Analysis of recent infiltration group designators indicates that this may well be the case. Of at least 150,000 infiltrators scheduled to arrive in South Vietnam during the first eight months of 1968, 37 percent, or about 55,000 men, were allocated to the COSVN or III Corps area as filler and replacement personnel. The large allocation of men to this area reflects enemy efforts to deploy such troops to the areas where he has sustained the heaviest casualties.

10. In addition to infiltrating personnel into the III Corps area, the Viet Cong and North Vietnamese force structure also is being maintained by upgrading local guerrillas, recruitment, and impressment. The enemy also may be moving Main and Local Force units into the III Corps area from the II and IV Corps areas. There is evidence that at least three battalions have moved from the Delta to the Saigon area and that two regiments are moving down from the II Corps area.

Logistical Requirements

11. While Communist casualties resulting from the Saigon offensive have been high, logistical costs have been relatively low. Even the highly dramatic shelling of the city has not required a large expenditure of ammunition. During the period 5 May through 15 June, approximately 265 shells -- an average of only about 6 per day -- impacted in Saigon, in adjacent Gia Dinh city, and around the Tan Son Nhut airbase (see Figure 3). Heavy attacks with 122-mm rockets occurred on 5 May with 31 rockets and from 9 to 11 June with 45 rockets. Twelve 107-mm rockets were reported from 6 to 15 June. The balance of the reported impacted shells were 82-mm and 60-mm mortar shells and 75-mm recoilless rifle shells. The maximum effective range of heavy weapons used against Saigon is shown in the following tabulation:

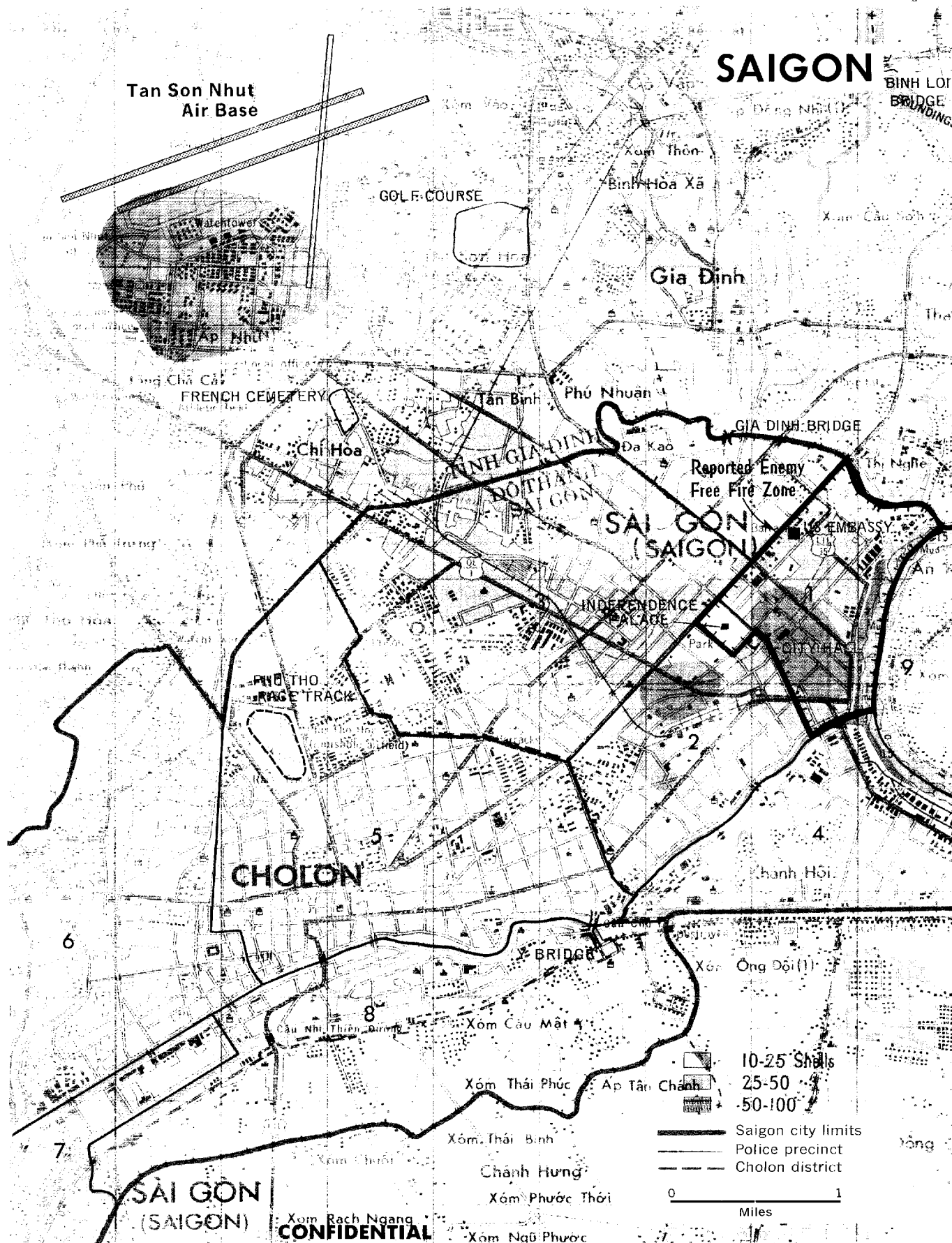
<u>Weapon</u>	<u>Range</u>	
	<u>Meters</u>	<u>Miles</u>
60-mm mortar	1,530	1.0
82-mm mortar	3,040	1.9
75-mm recoilless rifle	6,675	4.1
107-mm rocket	8,800	5.5
122-mm rocket	11,000	6.8

Nearly 95 shells fell in and around Tan Son Nhut. About 115 impacted in the 1st, 2nd, and 8th Precincts, where most of the city's diplomatic and a large part of its commercial and industrial facilities are located. Because of the concentration of government buildings in the 1st Precinct, the Viet Cong have declared its eastern half (and possibly a portion of the 2nd Precinct) to be a "free firing zone" into which shells and rockets may be fired at will.

12. It is estimated that enemy heavy weapons expenditures and losses resulting from discoveries of caches in the Saigon area from 1 May to 15 June averaged less than one short ton per day. The expenditures of small arms ammunition in the same areas have been estimated at a little more than one short ton per day, bringing enemy resupply requirements up to about two short tons per day. This daily expenditure represents only about 10 percent of the current Communist requirements for Class V munitions in South Vietnam. Moreover, the total reported expenditure of heavy weapons ammunition was less than 15 percent of the total reported in the III Corps area during the Tet offensive.

13. The sustained nature of the May-June attacks against Saigon presented the enemy with a different logistics problem than in previous attacks, notably the Tet offensive. In the Tet attacks, units were sent into the city with several days' supply of food and ammunition, expecting further needs to be supplied by the people after a general uprising. Ammunition was also pre-positioned in certain caches within the city to be used by the infiltrated units. This method of logistical support subsequently proved inadequate because the people failed to rally to the side of the Viet Cong. In the current offensive, the enemy appears to be reducing his dependence on a logistical resupply

Figure 3



system by rotating units between the inner and outer rings around the city. Thus the units in combat in the inner circle are not reequipped as such, but, rather, are replaced by fresh units from the outer circle.

14. The origin of the supplies moving into the Saigon area is not clear. Most of the food probably is obtained within South Vietnam, although some may be procured in Cambodia. There are indications that some arms and ammunition are brought in over Cambodian roads and waterways. It is possible that this material was merely stored in Cambodian border areas after transit over roads and trails in Laos and South Vietnam. On the other hand, it may have been infiltrated to Cambodia by sea, or small arms and ammunition may have been smuggled from Cambodian army stocks. It is also possible that arms and ammunition may have been brought directly to the Saigon area over the Communist road network through Laos and South Vietnam. Sea infiltration directly into South Vietnam has probably not been utilized to any extent.

15. Current Communist requirements for supplies in the Saigon area do not appear to be of a magnitude that would tax the capabilities of their local logistic system under more normal circumstances. Regardless of the low level of expenditures, however, the aggressive posture of Allied maneuver units and their supporting arms appears to be seriously affecting supplies of heavy weapons, ammunition, and the positioning of heavy weapons units in close-in areas. Rocket and mortar barrages continue to be lighter than expected, and prisoners consistently report supply difficulties. Allied forces recently have also been successful in uncovering enemy caches of munitions that could have supported Communist attacks on Saigon.

Allied Response

16. Arrayed against the Communist forces in the III Corps area at the onset of the offensive early in May were nearly 150,000 maneuver forces (infantry and combat support personnel), of which two-thirds were South Vietnamese (ARVN) forces and most of the remainder, American troops (see Table 1 and Figure 4).*

* *Total Allied strength in the III Corps area, including all kinds and types of units, amounted to nearly 418,000 on 1 May.*

An estimated 13,800 ARVN marine and infantry and combat support troops reportedly were located in Gia Dinh Province, of which about 11,000 were assigned to the Saigon area. Comparable figures for other Allied forces deployed around Saigon are not available.

Table 1

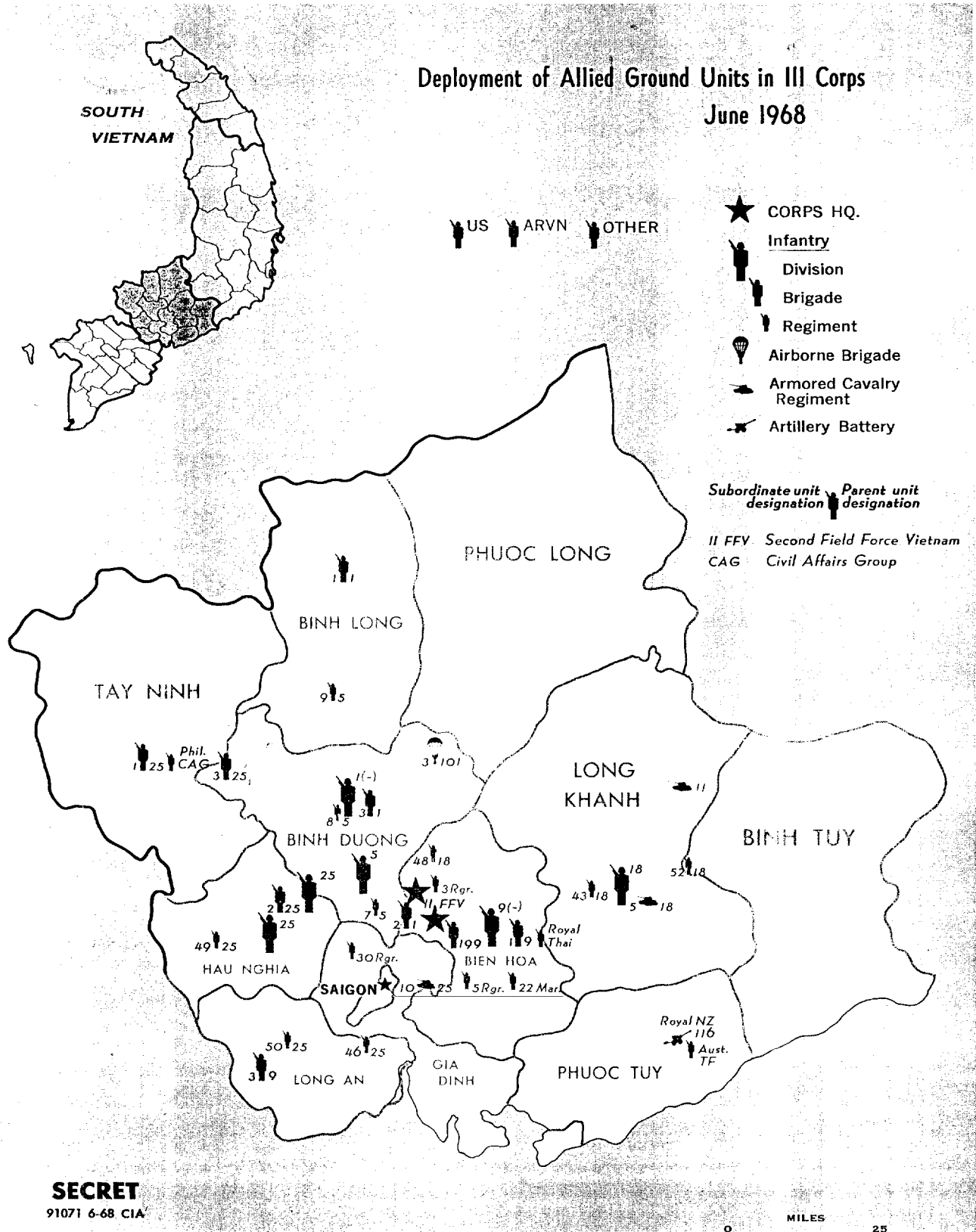
Allied Military Strength in the III Corps Area
as of 1 May 1968

	<u>Maneuver and Combat Support Personnel</u>
<u>South Vietnamese forces</u>	<u>93,500</u>
ARVN regular forces	47,000
ARVN marines	4,500
Territorial units	42,000
<u>US ground forces</u>	<u>50,300</u>
<u>Other Free World forces</u>	<u>5,600</u>
Australia	4,200
Thailand	900
New Zealand	500
<i>Total</i>	<i>149,400</i>

17. Allied forces also have incurred relatively high casualties as a result of the Communist attacks on Saigon. Preliminary figures released by MACV for III Corps indicate that during May the US forces suffered 2,500 casualties and ARVN about 3,200. Of these totals, 346 US and 683 ARVN troops were killed. While the rate of casualties for the United States appears to have fallen off sharply during 1-16 June, ARVN casualties reportedly are running at about the same rate as during May.

18. Allied efforts to secure the Saigon area actually were initiated early in April, when reports indicated a Communist buildup for a new Saigon offensive. On 7 April an Allied sweep operation labeled

Figure 4



Toan Thang (Complete Victory) was launched throughout the III Corps area. The operation, which is still continuing, involved 55 ARVN, 41 US, and about six other Free World battalions. Toan Thang was designed to eliminate all enemy units in the Capital Military District while concurrently developing the capability of South Vietnamese territorial forces to defend and maintain the security of the rural areas. As of 10 June, this operation had resulted in nearly 8,100 Communists reported killed and about 625 Allied dead and nearly 4,500 wounded. In Gia Dinh Province alone, about 2,190 enemy and 170 Allied troops were killed. Captured enemy troops and documents indicate that the Communists had planned to mount strong ground operations against Saigon during the past few weeks, but that Allied sweeps and heavy bombing caught some of their forces and inflicted heavy casualties and compounded their logistics problems before any major assaults could be launched. In an effort to cut Communist lines of communication into Saigon and impair Viet Cong infiltration and shelling, thousands of additional US troops recently have been deployed for sweep operations in the Saigon area.

19. A total of 2,637 B-52 sorties were flown in the South Vietnam area from 4 May through 16 June, of which 15 percent were directed at the Saigon area. Two-thirds of the latter were flown in June as the share of the B-52 effort against the enemy forces concentrated around Saigon increased. The effect of this bombing effort together with the extensive tactical air bombing cannot be fully evaluated, but it has undoubtedly caused some deterioration in morale, destroyed valuable supplies, and disrupted orderly military operations. There were several reports in late June which indicated that some B-52 strikes caused significant casualties and disruptions.

Economic Impact

20. The present fighting in Saigon also is having a deep impact on the city's economic life. Still not fully recovered from the Tet offensive, the city's limited administrative facilities are once again being taxed by the growing civilian casualties, the rising tide of refugees, and the mounting physical destruction which, by mid-June, had almost reached the scale of the February attacks (see Table 2).

Table 2

Comparative Disruption
Generated by the Tet Offensive
and the May-June 1968 Fighting Around Saigon a/

	<u>31 Jan - 2 Mar</u>	<u>5 May - 15 Jun</u>
Refugees	173,000	178,000
Civilian casualties		
Killed	300	280
Wounded	5,700	5,100
Housing destroyed or damaged	18,500	18,800

a. The numbers of refugees are the peak numbers registered with the government at any one time during the periods shown.

21. At the present time, some progress is being made in the reconstruction of homes for Tet refugees, either by the government or by the refugees themselves with government allowances. The government currently is engaged in the construction of more than 9,000 housing units which either will be sold to the occupants at roughly the cost of construction or will be rented. At the almost completed Petrus Ky housing project, which will contain 1,090 units, 633 families (of an average size of 6.5 persons) already have moved in, with the remainder scheduled to arrive by 22 June. A housing project at Saigon's Lam Son Stadium has been completed and 463 families are in place. ARVN engineers are at work on 200 planned units in the 6th Precinct, and in the 8th Precinct US military personnel are participating in the construction of 500 prefab units, 98 of which were completed by 22 June. US military personnel also are engaged in work on 800 housing units in Gia Dinh. In the 5th Precinct the Ministry of Public Works is nearing completion of 468 more units. Work also is under way on a 2,000-unit project which is to receive up to \$4 million in USAID funds.

22. Refugees from the May offensive still are in camps. The care of these refugees originally was assigned to the Ministry of Social Welfare and Refugees in the Loc cabinet, but, as the number increased, it became clear that the ministry was unable to handle the task. Thus, in mid-May at the suggestion of US officials, the joint US and South Vietnamese central recovery committee, formed after the Tet offensive, took over the work of establishing and supplying refugee centers and overseeing the distribution of money and building materials to those whose homes had been destroyed. Refugees from the May offensive qualify for the Tet refugee allowance which includes ten bags of cement, ten roofing sheets, and 10,000 piasters per family. Possibly half of the new refugees still have homes to which they can return once security is restored.

23. Notwithstanding the cost involved and the need to cope with several administrative problems -- such as the establishment of a central authority to assume responsibility for care of refugees and decisions on locations for new refugee housing and eligibility for occupancy -- the government has made considerable progress in aiding the vast number of refugees in Saigon. Despite this sizable effort, however, there still were in mid-June some 10,000 Tet refugees in camps and an unknown number living with friends and relatives, to say nothing of the large number of new refugees who still must be housed. Moreover, it is clear that as long as the fighting and shelling continue, the number of refugees and the strain on the government's financial resources will continue to grow. As evidenced by the number of refugees in camps four months after the Tet offensive, the refugee problem in Saigon will remain long after the military action ceases.

24. Except for short-term price rises, primarily resulting from interruptions to deliveries of perishable foodstuffs from the countryside, the Saigon price level has remained remarkably steady during 1968. Despite a sharp increase in the rate of growth of the money supply this year and increased economic dislocation, the overall increase in the price level during the first six months of 1968 was about the same as for the same period of 1967.

25. The fighting in and around the city was reflected in price levels in the Saigon market. During the first half of February, at the height of the Tet offensive, food prices in Saigon rose about 80 percent as deliveries slowed to a trickle. However, the price level dropped dramatically as the fighting in and around Saigon waned. During April, food prices began rising again because of continued interdictions of traffic on Route 4 from the Delta and as a result of consumer hoarding in anticipation of renewed Communist attacks. Prices of locally manufactured nonfood items also increased as production failed to return to pre-Tet levels. Prices continued their upward movement with the onset of the 5 May attacks, rising 14 percent between 29 April and 3 June. The one major exception has been the price of rice, which has been steady or lower because of the ample stocks of imported rice. Higher prices for food and items such as charcoal and firewood can be traced directly to interruptions in deliveries caused by the fighting in the 5th and 6th Precincts of Saigon. Produce trucks traveling on the country's major commercial artery -- Route 4 from the Delta -- pass through these precincts.

26. The decline in production of goods manufactured in Saigon has resulted from the war-related absenteeism, plant damage, and lower demand. Almost all firms in the Saigon area experienced absenteeism during the Tet offensive and again after the fighting began in May. At the height of the attacks in May, it was estimated that 10 to 15 percent of the roughly 335,000-man industrial and commercial labor force in the metropolitan area did not report for work. Moreover, with reduced incomes and the prospect of continued insecurity, there has been a general decline in demand. Plant damage -- most of it from the Tet offensive -- also has reduced industrial output. Little other damage to property, except for housing, has been reported during the present fighting, and the major utilities are intact. Early in the offensive, the Cho Quan powerplant in Cholon was shelled repeatedly, but damage was slight. Rocket fire hit the area of the Thu Duc water treatment plant on 4 and 23 May, the latter attack causing a 50-percent reduction in Saigon's water production for 24 hours.

27. There currently is no general manpower shortage in Saigon, and, in fact, there still are some local pools of unemployment created by the destruction of plants during the Tet and May-June offensives and by the curfew. There are, however, shortages of skilled labor. In response to the February offensive, all reservists who had completed less than five years of active duty were called back to service. This measure dealt a blow to many private firms and government organizations, especially those that had chosen veterans for key positions in order to avoid losses via the draft. The recent general mobilization measures will have the same effect. These shortages cannot be relieved by the large number of new refugees and war-generated unemployed. At the beginning of June, for example, the Director of the Saigon Metropolitan Water Office advised the Ministry of Public Works that unless his critical operating personnel were deferred from the draft, he would be forced to close the water treatment plant. In addition, a resumption of fighting in Saigon could cause an exodus of civilians from Saigon to more secure areas in the provinces and contribute further to the shortage of skilled workers. Such an exodus did not occur during the Tet offensive or in the May-June campaign.

28. Food shortages, physical damage, and manpower problems are by no means the only measure of the adverse effects of the recent attacks on the economy of Saigon. As a result of the current Communist attacks, the economy has slipped back into the stagnant and depressed state which followed the February offensive. Economic activity in the private sector had just started to show some signs of recovery from the Tet offensive when the May attacks were launched. The whole private sector is suffering from a traumatic shock to its confidence in its ability to operate normally. Businessmen have cut inventories and are scrambling to achieve liquidity. Import activity has been greatly reduced as importers adopt a wait-and-see attitude. Consumers have restricted their spending, preferring to hoard their money. Moreover, the remarkable stability of black market currency and gold prices during the recent period indicates that, for the time being, most people are content to hold their cash

in the form of piasters. These developments have had a deflationary impact, a surprising development in view of the substantial amount of new money created (up 5 billion piasters during 1-25 May alone, compared with 11 billion piasters during 31 January-30 April) as a result of lower government revenues and increased government expenditures for mobilization and reconstruction.

Impact and Outlook

29. As a military campaign, the recent Communist pressure on Saigon has not achieved any notable success. Communist casualties have been extremely high -- perhaps ten times as high as Allied casualties. No military objectives have been taken, and destruction to Allied military facilities has been light. The much feared rocket and mortar attacks could not be sustained.

30. At the same time, Allied capability to react has probably improved. At US urging, the South Vietnamese have set up a separate and unified military command for the Saigon Military District which includes the police and military arms. More controls have been placed on the use of Allied firepower -- which has caused most of the destruction -- within the city. Allied aggressiveness in the countryside surrounding Saigon has made it costly for the Communists to keep their lines of communication protected. Future attacks are not likely to be significantly more effective.

31. Furthermore, despite widespread destruction, apprehension, and dislocation, the city -- its economy and people -- may be able to recover and cope with future attacks unless they prove to be more intense and of longer duration. The population has borne up well. Except for areas where ground fighting took place, a general business-as-usual attitude prevailed. Although there is hostility toward the Allies resulting from the use of heavy firepower during clearing operations, there is also considerable evidence that Communist attacks have provoked a hostile public reaction against the Communists.

32. Strains began to show during the May-June attacks, and if the siege were to be reinstituted and to continue long enough, there could be a serious deterioration in morale and a demand for an end to the fighting. A number of prominent Vietnamese, including religious and business leaders, have expressed fear that prolonged harassment at the levels of early May or the rate of shelling of 11 and 15 June could well produce widespread sentiment for peace at any price. On the other hand, the city may be learning to live with sporadic ground attacks and light shelling. So far, a public demand for peace has been manifested only in Buddhist circles and by leftist students at Saigon University.

33. There also has been criticism (for example, in the National Assembly) of the government's inability to stop the shelling, of the destruction caused by Allied counteraction, and of the accidental killing of seven officials by a US helicopter. Other factions have demanded retaliation against Hanoi and called for an end to the talks in Paris. Nevertheless, there still are no visible signs of favorable popular or troop response to Communist appeals for support, defection, or a general uprising.

34. All indications point to a continuation, and possibly a heightening, of the attacks against Saigon, which will increase the city's burdens, suffering, and hardship. A prolongation of these attacks is likely to cause a serious deterioration of the city's economic life. Economic activity will decline further and food prices will rise again, particularly if the major access routes are interdicted. Serious disruption of the city's economy also would pose a major threat to the economic stability of much of the rest of the country. This is particularly true of the III Corps and IV Corps areas because of their economic interdependence with Saigon. These two areas depend heavily on Saigon as their largest agricultural market and primary source of manufactured goods.

35. The Communists would appear to have the capability to maintain recurrent military pressure against the Saigon area over the next few months. Logistical requirements for this type of warfare

are relatively small. Despite heavy personnel losses -- 7,000 to 10,000 men per month in the Saigon area -- current levels of infiltration and recruitment are adequate to maintain force levels.

36. Allied military sources believe that the enemy is preparing for further coordinated attacks against Saigon. On the basis of captured documents and prisoner interrogations, it appears that the next attack was scheduled for the end of June or early July, but that it has been postponed and possibly canceled. This was to be the culmination of the second general offensive (the summer campaign). The third general offensive reportedly is to take place after the rainy season ends in late October or early November.

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